

OPEN MEETING ITEM



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COMMISSIONERS
MIKE GLEASON - Chair
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ORIGINAL



ARIZONA CORPORATION COMMISSION RECEIVED

2008 MAY 19 P 2:49

DATE: MAY 19, 2008

AZ CORP COMMISSION
DOCKET CONTROL

DOCKET NO: W-02065A-07-0308, W-02065A-07-0309 AND W-02065A-07-0311

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

WILHOIT WATER COMPANY, INC.,
YAVAPAI MOBILE HOME ESTATES SYSTEM
(RATES/FINANCING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MAY 28, 2008

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 3 AND JUNE 4, 2008

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
DOCKETED

MAY 19 2008

DOCKETED BY	
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 MIKE GLEASON - Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION OF
9 WILHOIT WATER COMPANY, INC., YAVAPAI
10 MOBILE HOME ESTATES SYSTEM, FOR
11 RETROACTIVE APPROVAL OF A FINANCING
12 APPLICATION.

DOCKET NO. W-02065A-07-0308

13 IN THE MATTER OF THE APPLICATION OF
14 WILHOIT WATER COMPANY, INC., YAVAPAI
15 MOBILE HOME ESTATES SYSTEM, FOR
16 APPROVAL OF A FINANCING APPLICATION.

DOCKET NO. W-02065A-07-0309

17 IN THE MATTER OF THE APPLICATION OF
18 WILHOIT WATER COMPANY, INC., YAVAPAI
19 MOBILE HOME ESTATES SYSTEM, FOR
20 APPROVAL OF A PERMANENT RATE
21 INCREASE.

DOCKET NO. W-02065A-07-0311

DECISION NO. _____

OPINION AND ORDER

22 PUBLIC COMMENT HEARING: December 11, 2007

23 PLACE OF PUBLIC COMMENT
24 HEARING: Chino Valley, Arizona

25 DATE OF HEARING: March 14, 2008

26 PLACE OF HEARING: Phoenix, Arizona

27 ADMINISTRATIVE LAW JUDGE: Marc E. Stern

28 APPEARANCES: Mr. Douglas G. Martin, Martin & Bell, L.L.C., on
behalf of Wilhoit Water Company, Inc., Yavapai
Mobile Home Estates System; and

Mr. Kevin Torrey, Staff Attorney, Legal Division, on
behalf of the Utilities Division of the Arizona
Corporation Commission.

BY THE COMMISSION:

On May 21, 2007, Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System
("Applicant" or "Company") filed with the Arizona Corporation Commission ("Commission") the
following applications: an application requesting retroactive approval of financing in the amount of

1 \$10,000 in Docket No. W-02065A-07-0308; an application requesting approval of financing in the
2 amount of \$36,105 in Docket No. W-02065A-07-0309; and an application requesting approval for a
3 permanent rate increase in Docket No. W-02065A-07-0311.

4 On June 20, 2007, pursuant to A.A.C. R14-3-103, the Commission's Utilities Division
5 ("Staff") issued a Notice of Insufficiency to the Company with respect to its rate application.

6 On September 10, 2007, pursuant to A.A.C. R14-3-103, Staff issued a Notice of Sufficiency
7 that the Company's rate application was sufficient and classified the Company as a Class D utility.

8 On October 23, 2007, by Procedural Order, the above-captioned proceedings were
9 consolidated for further disposition by the Commission and it was further ordered that public
10 comment on the above-captioned proceedings would be held at the Chino Valley Town Hall Council
11 Chambers in Chino Valley, Arizona on December 11, 2007.

12 On November 7 and 14, 2007, the Company published notice of the public comment hearing
13 in a newspaper of general circulation in Yavapai County, Arizona.

14 On November 9, 2007, Staff filed its report with respect to the Company's applications
15 wherein Staff recommended approval of its rates and charges. Staff further recommended the denial
16 of the Company's two applications for Commission approval for long-term debt and that the
17 Company secures Commission authorization of an Arsenic Cost Recovery Mechanism ("ACRM") to
18 enable the Company to recover the costs of arsenic remediation equipment.

19 On November 19, 2007, the Company filed exceptions to the Staff Report indicating that
20 Applicant objected to Staff's recommendations with respect to its request for an increase in water
21 rates and for its financing applications.

22 On December 11, 2007, the Commission held a public comment hearing at the Chino Valley
23 Town Hall Council Chambers in Chino Valley, Arizona. Eight customers appeared and offered
24 public comment regarding this matter.

25 On January 4, 2008, by Procedural Order, a hearing was scheduled for March 14, 2008, other
26 filing dates established and the time-frame suspended.

27 On February 1, 2008, the Company filed certification that it had provided public notice of the
28 proceeding pursuant to the Commission's Procedural Order.

On March 14, 2008, a full public hearing was held before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Company and Staff appeared with counsel. At the conclusion of the hearing, the Company and Staff were directed to make subsequent filings in the docket concerning certain issues raised during the proceeding and the matter was then taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

On March 31, 2008, Staff filed an Exhibit which confirmed that Staff had explained its revenue and income calculations to the Applicant in an acceptable fashion.

On April 11, 2008, the Company's counsel filed a Memorandum with respect to outstanding personal property taxes owed by the Company which initially became an issue in Docket No. W-02056A-03-0490 when one of its systems, the Glenarm Farms System, was acquired by the City of Avondale, Arizona under threat of condemnation.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Arizona Corporation Commission, the Company is an Arizona C Corporation which is engaged in the business of providing public water utility service in an area east of Highway 89 in Chino Valley in Yavapai County, Arizona.¹

2. On May 21, 2007, the Company filed three applications as follows: an application requesting approval of retroactive financing incurred in 2005 in the amount of \$10,000, used for an unsuccessful attempt to drill a well; an application requesting approval of financing in the amount of \$36,105 for arsenic remediation equipment; and an application requesting approval for a permanent increase in its rates and charges for water service. The long-term debt, for which the Company is

¹ According to Commission Corporation records, the Company is owned by the Estate of Robert D. Conlin ("Estate") and David A. Conlin, Jr. and is managed by the Glenarm Land Company, Inc. ("Glenarm") which the Estate and Mr. Conlin also own. The Company operates this system and two other systems, which provide water in the following areas: Thunderbird Meadows ("Thunderbird") in the vicinity of Wilhoit, and Blue Hills No. 3 ("BH3") in the vicinity of Dewey, Arizona. The Estate and Mr. Conlin also own and operate another public service corporation, The Dells Water Company, Inc., which provides water service to approximately 68 customers in Yavapai County outside of Prescott.

1 seeking Commission approval, was funded with cash from Glenarm.

2 3. Applicant's present rates and charges for water service were approved in Decision No.
3 58102 (December 9, 1992).

4 4. On September 10, 2007, pursuant to A.A.C. R14-3-103, Staff issued a Notice of
5 Sufficiency to the Company that its rate application met the Commission's sufficiency requirements.

6 5. On October 23, 2007, by Procedural Order, the above-captioned proceedings were
7 consolidated for further disposition by the Commission and it was further ordered that public
8 comment on the above-captioned proceedings be held at the Chino Valley Town Hall Council
9 Chambers in Chino Valley, Arizona on December 11, 2007.

10 6. On November 7 and 14, 2007, the Company published notice of the public comment
11 hearing in a newspaper of general circulation in Yavapai County, Arizona.

12 7. On November 9, 2007, Staff filed its Report with respect to the Company's
13 applications wherein Staff recommended approved of its rates and charges. Staff further
14 recommended the authorization of an ACRM to enable the Company to recover the costs of arsenic
15 remediation and the denial of the Company's two requests for Commission approval to finance
16 previously unauthorized existing debt to Glenarm, the corporation controlled by the Company's
17 principals.

18 8. On November 19, 2007, the Company filed Exceptions to the Staff Report objecting to
19 the rates recommended by Staff and to Staff's recommended denial of the Company's two financing
20 applications. The Company further objected to Staff's removal from plant in service of \$35,640 for
21 utility plant which could not be documented with invoices by the Company.

22 9. On January 4, 2008, by Procedural Order, a hearing was scheduled on the issues raised
23 by the Company's Exceptions to Staff's recommendations in its report. Additionally, other filing
24 dates were set forth and public notice of the hearing was ordered.

25 10. On February 1, 2008, pursuant to the Commission's Procedural Order, the Company
26 filed certification that it had both mailed to its customers and published notice in a newspaper of
27 general circulation in its service area notice of its applications and the scheduled hearing. In response
28 thereto, approximately five customers of the Company contacted the Commission's Consumer

Services Division in opposition to the Company's proposed rate increase.

11. During the Test Year ended December 31, 2006 ("TY"), Applicant served 95 metered customers who were primarily served by 5/8" x 3/4" meters.

12. Average and median water usage by residential users during the TY were 5,456 and 3,882 gallons of water per month, respectively.

13. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on November 9, 2007, recommending that Staff's proposed rates and charges be approved. Staff is also recommending that the Company's service line and meter installation charges be increased and its other service charges be modified consistent with Staff's recommendations. Staff further recommends authorization of an ACRM, instead of long-term debt, to fund the cost of arsenic remediation equipment and to deny a request for retroactive approval of long-term debt to finance a well drilled in 2005 which is not used and useful.

14. The water rates and charges for Applicant at present, and as recommended by Staff with concurrence of the Applicant, are as follows:²

<u>MONTHLY USAGE CHARGE:</u>		<u>Present Rates</u>	<u>Proposed Rates</u>
5/8" x 3/4" Meter		\$ 8.00	\$ 9.50
3/4" Meter		8.00	14.25
1" Meter		8.00	23.75
1-1/2" Meter		40.00	47.50
2" Meter		64.00	76.00
3" Meter		120.00	152.00
4" Meter		200.00	237.50
6" Meter		400.00	475.00

² Although the Company had initially disputed Staff's recommended rates and charges in its Exceptions filed on November 19, 2007, at the conclusion of the hearing of this proceeding, the presiding Administrative Law Judge directed the Company and Staff to meet and confer with respect to Staff's revenue calculations on the amount of revenue generated by Staff's recommended rates because the Company's attorney, Mr. Martin, in response to a question from the presiding Administrative Law Judge stated, "Yes Your Honor, we are satisfied precisely with the projected Staff operating revenue of \$50,531 set forth on GTEM-1. We just can't figure out how to do that." (Tr. at p. 85) On March 31, 2008, Staff late-filed an Exhibit which includes a letter from the Company's witness, Mr. Jim West, who stated the following: "This letter is to register our general concurrence with Staff's income calculations for Yavapai Mobile Home Estates (Docket No. W-02065A-07-0311). This agreement is based on the water usage pattern Staff utilized for their calculations."

Gallons Included in the Minimum
All meter sizes

-0-

-0-

GALLONAGE CHARGES:

(Per 1,000 Gallons)

0 to 6,000 gallons

\$ 2.94

N/A

Over 6,000 gallons

4.16

N/A

5/8" x 3/4" and 3/4" Meter

0 to 3,000 Gallons

\$2.20

3,001 to 10,000 Gallons

3.65

Over 10,000 Gallons

4.20

1" Meter

0 to 20,000 Gallons

\$3.65

Over 20,000 Gallons

4.20

1-1/2" Meter

0 to 55,000 Gallons

\$3.65

Over 55,000 Gallons

4.20

2" Meter

0 to 100,000 Gallons

\$3.65

Over 100,000 Gallons

4.20

3" Meter

0 to 220,000 Gallons

\$3.65

Over 220,000 Gallons

4.20

4" Meter

0 to 350,000 Gallons

\$3.65

Over 350,000 Gallons

4.20

6" Meter

0 to 730,000 Gallons

\$3.65

Over 730,000 Gallons

4.20

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	Present	Proposed Charges		
	Charges	Service Line	Meter	Total
		Charge	Charge	Charge
5/8 x 3/4" Meter	\$265.00	\$385.00	\$135.00	\$520.00
3/4" Meter	295.00	385.00	215.00	600.00
1" Meter	345.00	435.00	255.00	690.00
1-1/2" Meter	520.00	470.00	465.00	935.00
2" Meter	725.00	630.00	965.00	1,595.00
3" Meter	925.00	805.00	1,470.00	2,275.00
4" Meter	1,150.00	1,170.00	2,350.00	3,520.00
6" Meter	3,725.00	1,730.00	4,545.00	6,275.00

SERVICE CHARGES:

	Present	Proposed Staff
	Charges	Charges
Establishment	\$30.00	\$30.00
Establishment (After Hours)	0.00	0.00
Reconnection (delinquent)	30.00	30.00
Meter Test (if correct)	50.00	35.00
Meter Re-Read (if correct)	15.00	15.00
Deposit	0.00	*

Deposit Interest	0%	*
Reestablishment (within 12 months)	0.00	**
NSF Check	15.00	30.00
Deferred Payment (Per Month)	1.5%	1.5%

Monthly Service Charge for Fire Sprinklers:

4" or smaller	\$ 0.00	***
6"	\$ 0.00	***
8"	\$ 0.00	***
10"	\$ 0.00	***
Larger than 10"	\$ 0.00	***

* Per Commission Rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum, per Commission rule A.A.C. R14-2-403(D).

*** 1.00% of Monthly Minimum for a Comparable sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

15. Pursuant to the Staff Report, Applicant's Fair Value Rate Base ("FVRB") is determined to be \$6,066 which is the same as its original cost rate base. The Company's FVRB reflects a \$35,640 adjustment by Staff to Applicant's proposed FVRB due in large part to the removal by Staff of \$35,640 from Applicant's plant in service for which Applicant lacked supporting documentation to justify the payment for its utility plant. This is due in large part to the Company's failure to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"). The adjustment includes \$10,000 for costs associated with drilling a well in 1997 for which the Company had no invoices, and the removal of \$11,040 for a well drilled in 2005 that is not used and useful due to the high arsenic concentration in its water.

16. Due in large part to the Company's failure to maintain its books and records in accordance with the NARUC USOA, Applicant failed to separately identify expenses for the four separate systems which the Company's principals operate. As a result, the Company used an allocation system which, according to the Staff Report, was not indicative of what Staff believes should be the correct expense allocations in this instance and resulted in Staff reducing Applicant's operating expenses by \$9,380.

...

1 17. Applicant's present water rates and charges produced adjusted operating revenues of
2 \$36,555 and adjusted operating expenses of \$38,485 resulting in a net operating loss of \$1,930 for the
3 TY.

4 18. The water rates and charges proposed by Staff and as agreed to by the Company
5 would produce adjusted operated revenues of \$50,531 and adjusted operating expenses of \$39,603
6 resulting in net operating income of \$10,928 or a 180 percent rate of return on FVRB. This is not a
7 meaningful figure due in part to Staff's disallowance of unsubstantiated additions to the Company's
8 plant and plant which is not used and useful; however, it equates to a 21.63 percent operating margin.

9 19. Staff's recommended rates would increase the average monthly customer water bill by
10 4.2 percent, from \$24.04 to \$25.06, while the median monthly customer water bill would decrease by
11 half a percent, from \$19.41 to \$19.32.

12 20. According to the Staff Report, the Applicant has a number of compliance issues, the
13 most significant of which involve the failure to pay property taxes. The most egregious example
14 relates to Docket No. W-02065A-03-0490, an application filed by the Company for the
15 Commission's approval for the sale of a portion of its assets and cancellation of that portion of its
16 Certificate of Convenience and Necessity ("Certificate") related to the provision of water service to
17 the Glenarm Farms area which is now served by the City of Avondale. At the time of the requested
18 approval, the Company's assets for that system were encumbered by a Maricopa County tax lien
19 totaling approximately \$215,000. The Recommended Opinion and Order ("ROO") in that
20 proceeding conditioned approval of a rate increase on several conditions, one of which required the
21 filing of evidence that the outstanding tax lien was satisfied before the close of escrow or 30 days
22 from the effective date of the Decision, whichever occurred first. At the Company's request, the
23 ROO was pulled from the Commission's Open Meeting agenda in early 2004, and while the
24 Company has reported that the sale was consummated on September 10, 2004, there has been no
25 resolution to the back tax issue, and the Commission has not approved the transaction and cancelled
26 that portion of the Company's Certificate related to Glenarm Farms. Additionally, the Company's
27
28

1 three Yavapai County systems owe back taxes to Yavapai County totaling approximately \$73,300.³

2 21. On April 11, 2008, the Company filed a Memorandum with respect to the payment of
3 its property taxes which confirms that there has been no conclusive resolution for the back taxes
4 owed on its Glenarm Farms system. With respect to the Yavapai County systems, according to the
5 Company's witness, Mr. West, the Company is working to reach a solution which involves payment
6 of the back taxes, which its principals did in the case of the Dells Water Company, Inc., as required
7 by Commission Decision No. 70102 (December 21, 2007).⁴ Mr. West indicated that the Company is
8 presently negotiating with the Yavapai County Treasurer, Ross D. Jacobs, to conclude a payment
9 agreement for all of its systems in Yavapai County.

10 22. Additionally, the Staff Report cites numerous examples that the Company has failed to
11 maintain adequate records for its separate systems and has failed to utilize the NARUC USOA in
12 previous rate proceedings dating back to the 1990s. Based on the record in this proceeding, neither
13 the Company's representative at the hearing, Mr. West, nor an assistant in his office, is familiar with
14 the NARUC USOA. (Tr. at p. 38)

15 23. In its report, Staff also indicated that the Company had failed to follow its tariff and
16 has been incorrectly charging a customer with a 2" meter and another customer with a 4" meter the
17 minimum monthly meter charge of \$8 for a 5/8" x 3/4" meter instead of the correct rates of \$200 and
18 \$400, respectively, which Applicant should have charged these customers.

19 24. Due to an excessive amount of arsenic in its water, the Company's Yavapai System
20 had interconnected with the City of Prescott's water system at a nearby fire hydrant in approximately
21 March 2007 in order to be able to provide its customers with water which meets the new arsenic
22 standard, while it constructed an arsenic remediation system. This interconnection was recently
23 disconnected in March 2008, after the Company's arsenic remediation equipment became
24 operational.⁵

25 ³ According to the Staff Report, the Yavapai System owes past due taxes of \$26,736, the Thunderbird System owes
26 \$39,661 and the BH3 System owes \$6,746.

27 ⁴ On February 1, 2008, Mr. West, on behalf of the Dells Water Company, Inc., filed a copy of a receipt from the Yavapai
28 County Treasurer's office sent to Mr. David Conlin that all back taxes "had been paid in full."

⁵ On February 26, 2008, the Arizona Department of Environmental Quality ("ADEQ") issued a Certificate of Approval of
Construction ("CAC") for the Company's arsenic remediation system constructed for its Yavapai System reducing the
arsenic content in its water to less than 10 parts per billion.

1 25. As of the date of the hearing, it could not be determined whether the Company's water
2 met the requirements of ADEQ's Safe Drinking Water Act and, as a result, Staff is recommending
3 that the Company file documentation which establishes that Applicant is meeting ADEQ's
4 requirements by December 31, 2008.

5 26. The Company has previously filed a Backflow Prevention Tariff and has recently filed
6 its Curtailment Plan Tariff.

7 27. According to the Staff Report, the Company's two operational wells have a pumping
8 capacity of 60 gallons of water per minute and the Company has storage capacity for 28,000 gallons
9 of water which meets the current base needs of its 95 customers and can adequately serve
10 approximately 130 service connections.

11 28. Although the Company had filed an application for retroactive approval of \$10,000
12 worth of long-term debt funded by Glenarm in a 2005 attempt to drill a third well, Staff found the
13 well not used and useful because the Company subsequently capped this well due to excessive
14 arsenic. During the hearing, Mr. West indicated that the Company did not contest Staff's
15 recommendation of denial for the retroactive financing. Additionally, although the Company had
16 requested Commission approval of long-term debt in the amount of \$36,105 to pay for its arsenic
17 remediation equipment which had also been financed by Glenarm, upon Staff's recommendation that
18 a surcharge be authorized which could be collected through an ACRM, Applicant chose not to pursue
19 this application for long-term debt also. (Tr. at p. 40)

20 29. Staff is additionally recommending that the Commission order the following:

- 21 • that Applicant notify its customers of the water rates and charges approved
22 hereinafter and their effective date by means of an insert in the monthly billing
23 which precedes the month in which they become effective and file a copy of the
24 notice sent to its customers with the Commission's Docket Control as a
25 compliance item in this docket;
- 26 • that Applicant file, within 30 days of the effective date of this Decision, as a
27 compliance item in this Docket, with the Commission's Docket Control, a copy of
28 the schedule of its approved rates and charges;
- that the rates authorized herein shall not become effective until the month
 following that in which the Company files, as a compliance item in this Docket,
 with the Commission's Docket Control, a copy of a finalized agreement with the
 Yavapai County Treasurer's Office for the payment of all of its delinquent
 property taxes owed on its utility property in Yavapai County;

- that the Company charge its customers its tariffed rates and charges;
- that the Company maintain its books and records in accordance with the NARUC USOA with separate records for each of its operating systems;
- that the Company's request for retroactive approval of long-term financing in the amount of \$10,000 be denied;
- that the Company's request for approval of long-term financing in the amount of \$36,105 for arsenic remediation equipment be denied;
- that the Company be authorized to file an ACRM to provide for the recovery of arsenic remediation costs as set forth in the Staff Report and further described in Appendix B to the Staff Report;
- that this docket remain open to facilitate the implementation of an ACRM for the Company;
- that the Company file, within five years of the effective date of this Decision, a rate case for its Yavapai System;
- that the Company utilize Staff's depreciation rates as delineated in Table B of the Engineering Report attached to the Staff Report;
- that the Company file, by December 31, 2008, as a compliance item in this Docket, with the Commission's Docket Control, documentation from ADEQ indicating that there are no compliance deficiencies and which establishes that the Yavapai System is delivering water which meets the requirements of the Safe Drinking Water Act;
- that the Company shall report Water Use Data for each of its three water systems in Yavapai County (to include customer account information) and Plant Summary information separately in future Annual Reports;
- that the Company monitor the Yavapai system and submit the gallons pumped and sold to determine the actual water loss for one full year. The results of this monitoring and reporting should be docketed as a compliance item in this case within thirteen months of the effective date of this Decision. If the reported water loss for the period is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within thirteen months of the effective date of this Decision; and
- that Applicant, in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

30. Because an allowance for the property tax expense of Applicant is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies, including

1 this one, have been unwilling or unable to fulfill their obligation to pay the taxes that were collected
2 from ratepayers, some for as many as 20 years. It is reasonable, therefore, that as a preventive
3 measure the Company shall annually file as part of its Annual Report, an affidavit with the Utilities
4 Division attesting that the Company is current in paying its property taxes in Arizona.

5 31. Under the circumstances, after our review of the applications and the Staff Report, we
6 believe Staff's proposed rates are reasonable and together with Staff's additional recommendations
7 should be adopted. However, based on the Company's history, and its failure to maintain its books
8 and records in accordance with the NARUC USOA and its failure to pay property taxes, we shall
9 direct Staff to continue to monitor the conduct and operations of the Company as a regulated public
10 utility which provides water to its customers on its three separate systems in Yavapai County. If
11 Staff determines that the Company continues to fail to lawfully discharge its duties as a public service
12 corporation and fails to maintain its books and records in accordance with the NARUC USOA then
13 Staff shall immediately institute a Complaint and/or Order to Show Cause ("OSC") against Applicant
14 for appropriate relief.

15 32. Staff is further recommending that the Commission administratively close Docket No.
16 W-02056A-03-0490 and remove the appropriate area from the Company's Certificated Service Area
17 as shown on the Commission's Certificate maps reasoning that the case is over four years old, the
18 wells and distribution system have been abandoned, and the City of Avondale provides water service
19 to the Glenarm Farms area for which the Company continues to hold a Certificate.

20 33. We cannot agree with the recommendation by Staff to administratively close Docket
21 No. W-02056A-03-0490 with respect to the Company since there is no indication that the past-due
22 taxes owed by the Company on its property for its Glenarm Farms area have ever been paid.
23 Additionally, the assets were transferred without Commission approval and despite Staff's position
24 that service is now being provided by the City of Avondale to the Glenarm Farms area through the
25 City's distribution system, the law requires that we cancel the Certificate for this area and not merely
26 administratively close the docket. This docket shall remain open until the Commission approves the
27 application in that docket for the approval of the transfer of assets and cancellation of that portion of
28 the Company's Certificate to provide service in that area. Additionally, until such time as this

proceeding involving the Company's back property taxes is resolved, no system which Applicant operates shall see any rate increase become effective until a final Decision is issued in Docket No. W-02056A-03-0490.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S §§ 40-250, 40-251, 40-301 and 40-302.

2. The Commission has jurisdiction over Applicant and of the subject matter of the applications.

3. Notice of the applications was provided in the manner prescribed by law.

4. Under the circumstances described herein, the rates and charges proposed by Staff and authorized hereinafter are just and reasonable.

5. The proposed long-term financing applications described herein should be denied.

6. Staff's recommendations as set forth in Findings of Facts No. 29 are reasonable and should be adopted.

7. Staff should monitor the conduct and operations of the Company and in the event that Staff determines that the Company is failing to lawfully discharge its duties and failing to utilize the NARUC USOA, and failing to provide service to its customers in a lawful manner, then Staff should institute a Complaint and/or OSC against the Applicant for appropriate relief.

ORDER

IT IS THEREFORE ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System is hereby directed to file, within 30 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this Docket, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$ 9.50
3/4" Meter	14.25
1" Meter	23.75
1-1/2" Meter	47.50
2" Meter	76.00
3" Meter	152.00
4" Meter	237.50
6" Meter	475.00

GALLONAGE CHARGES:
(Per 1,000 Gallons)

5/8" x 3/4" and 3/4" Meter

0 to 3,000 Gallons	\$2.20
3,001 to 10,000 Gallons	3.65
Over 10,000 Gallons	4.20

1" Meter

0 to 20,000 Gallons	\$3.65
Over 20,000 Gallons	4.20

1-1/2" Meter

0 to 55,000 Gallons	\$3.65
Over 55,000 Gallons	4.20

2" Meter

0 to 100,000 Gallons	\$3.65
Over 100,000 Gallons	4.20

3" Meter

0 to 220,000 Gallons	\$3.65
Over 220,000 Gallons	4.20

4" Meter

0 to 350,000 Gallons	\$3.65
Over 350,000 Gallons	4.20

6" Meter

0 to 730,000 Gallons	\$3.65
Over 730,000 Gallons	4.20

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line</u> <u>Charge</u>	<u>Meter</u> <u>Charge</u>	<u>Total</u> <u>Charge</u>
5/8 x 3/4" Meter	\$385.00	\$135.00	\$520.00
3/4" Meter	385.00	215.00	600.00
1" Meter	435.00	255.00	690.00
1-1/2" Meter	470.00	465.00	935.00
2" Meter	630.00	965.00	1,595.00
3" Meter	805.00	1,470.00	2,275.00
4" Meter	1,170.00	2,350.00	3,520.00
6" Meter	1,173.00	4,545.00	6,275.00

SERVICE CHARGES:

Establishment	\$30.00
Reconnection (delinquent)	30.00
Meter Test (if correct)	35.00
Meter Re-Read (if correct)	15.00
Deposit Amount	*
Deposit Interest	*
Reestablishment (within 12 months)	**
NSF Check	30.00
Deferred Payment (per month)	1.5%

Monthly Service Charge for Fire Sprinklers:

4" or smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

* Per Commission Rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum, per Commission rule A.A.C. R14-2-403(D).

*** 1.00% of Monthly Minimum for a Comparable sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in the regular monthly billing which proceeds the month in which they become effective and file a copy of the notice when sent to its customers with the Commission's Docket Control as a compliance item in this docket.

IT IS FURTHER ORDERED that the rates authorized herein shall not become effective until the month following that in which Wilhoit Water Company, Inc. files, with the Commission's Docket Control, as a compliance item in the Docket, a copy of a finalized agreement with the Yavapai County Treasurer's Office for the payment of all of its delinquent property taxes owed on all of its utility property for its three systems in Yavapai County and its delinquent property taxes resolved and a final Decision is issued in Docket No. W-02056A-03-0490.

IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System, shall comply with each of the recommendations appearing in Findings of Fact No. 29.

IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System, shall maintain its books and records in accordance with the NARUC USOA.

IT IS FURTHER ORDERED that both of the applications herein of Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System, for long-term debt be, and are hereby denied.

IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home Estates System, is hereby authorized to file an ACRM to provide for the recovery of arsenic

1 remediation costs as set forth in the Staff Report and further described in Appendix B to the Staff
2 Report.

3 IT IS FURTHER ORDERED that this docket shall remain open to facilitate the
4 implementation of an ACRM for the Wilhoit Water Company, Inc., Yavapai Mobile Home Estates
5 System.

6 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home
7 Estates System, in addition to the collection of its regular rates and charges, collect from its
8 customers their proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-
9 2-409(D).

10 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Yavapai Mobile Home
11 Estates System, shall annually file as part of its Annual Report, an affidavit with the Utilities Division
12 attesting that the Company is current in paying its property taxes in Arizona.

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1 IT IS FURTHER ORDERED that the Utilities Division's Staff shall monitor the conduct and
2 operations of Wilhoit Water Company, Inc. and in the event that Staff determines that Wilhoit Water
3 Company, Inc. is failing to lawfully discharge its duties and failing to maintain its books and records
4 in accordance with the NARUC USOA, and failing to provide service to its customers in a lawful
5 manner, then Staff shall institute a Complaint and/or Order to Show Cause against Wilhoit Water
6 Company, Inc. for appropriate relief.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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11 CHAIRMAN

COMMISSIONER

12
13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14
15 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto set my hand and caused the official seal of the
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this ____ day of _____, 2008.

20 BRIAN C. McNEIL
EXECUTIVE DIRECTOR

21
22 DISSENT _____

23
24 DISSENT _____
MES:db

1 SERVICE LIST FOR: W-02065A-07-0308, W-02065A-07-0309 and
2 W-02065A-07-0311
3 DOCKET NO.: WILHOIT WATER COMPANY, INC., YAVAPAI
4 MOBILE HOME ESTATES SYSTEM
5 Douglas G. Martin
6 MARTIN & BELL, L.L.C.
7 365 East Coronado Road, Suite 200
8 Phoenix, Arizona 85007
9 Attorney for Wilhoit Water Company
10 WILHOIT WATER COMPANY
11 901 South First Street
12 Clarkdale, Arizona 86324
13 Janice Alward, Chief Counsel
14 Legal Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, Arizona 85007
18 Ernest G. Johnson, Director
19 Utilities Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, Arizona 85007
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